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SUBJECT: SUPER THERMAL POWER STATIONS IN INDIA: OPPORTUNITY
FOR U.S. EXPORTS AND TECHNOLOGY

SUMMARY: THE GOI IS ACCORDING TOP PRIORITY TO ESTABLISHING FOUR SUPER THERMAL POWER STATIONS. THE WORLD BANK IS EXPECTED TO CONDUCT A FEASIBILITY STUDY ON THE PROJECTS. THE PUBLIC SECTOR MANUFACTURER OF HEAVY ELECTRIC EQUIPMENT, BHEL, WOULD LIKE TO TALK TO INTERNATIONAL GENERAL ELECTRIC ON DESIGN, TECHNOLOGY, AND EQUIPMENT FOR THESE PROJECTS. COMMERCE AGAIN REQUESTED APPROACH IGE. END SUMMARY.

1. AS PART OF INDIA'S LONG-TERM POWER DEVELOPMENT PROGRAM, THE GOI HAS MADE THE POLICY DECISION TO ACCORD TOP PRIORITY TO THE ESTABLISHMENT OF FOUR 'SUPER THERMAL POWER STATIONS'. THESE POWER PLANTS WILL BE SITED WITHIN THE FOUR POWER GENERATION AND GEOGRAPHICAL REGIONS OF INDIA AND WILL BE LOCATED AS NEAR AS POSSIBLE TO THE COAL PITHEADS SO THAT INDIA'S ALREADY STRAINED RAILROAD TRANSPORTATION NETWORK IS NOT FURTHER BURDENED. UNLIKE THE EXISTING POWER PLANTS WHICH ARE THE RESPONSIBILITY OF THE STATE GOVERNMENTS IN WHICH THEY ARE LOCATED, THE FOUR SUPER POWER PLANTS WILL BE UNDER THE DIRECT ADMINISTRATIVE AND OPERATIONAL JURISDICTION OF THE NEWLY-ESTABLISHED, AUTONOMOUS, CENTRAL ELECTRICITY AUTHORITY WHICH IS UNDER THE CONTROL OF THE GOI MINISTRY OF ENERGY.

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2. DURING HIS VISIT TO WASHINGTON IN JANUARY 1975 TO ATTEND THE IMF/WORLD BANK MEETINGS, INDIAN FINANCE MINISTER C. SUBRAMANIAM DISCUSSED WITH BANK PRESIDENT ROBERT MCNAMARA, IN GENERAL TERMS, THE POSSIBILITY OF WORLD BANK/IDA FINANCING ONE OR MORE OF THE PROPOSED SUPER THERMAL POWER PLANTS IN INDIA. THE INITIAL REACTION OF THE WORLD BANK PRESIDENT WAS REPORTEDLY ENCOURAGING AND ACCORDINGLY, A FORMAL REQUEST FOR A PRELIMINARY ECONOMIC AND FINANCING FEASIBILITY STUDY OF THE PROJECTS WAS SUBMITTED BY THE GOI TO THE BANK IN FEBRUARY, 1975. ACCORDING TO A HIGH LEVEL OFFICIAL OF THE MINISTRY OF ENERGY, THE BANK HAS RESPONDED POSITIVELY TO THE INDIAN REQUEST AND A THREE-MEMBER EXPERT TEAM FROM THE BANK IS EXPECTED TO VISIT INDIA IN SEPTEMBER/OCTOBER 1975 TO MAKE AN ON-THE-SPOT STUDY OF INDIA'S LONG-TERM POWER NEEDS AND THE TECHNICAL AND ECONOMIC VIABILITY OF ESTABLISHING SUPER THERMAL POWER PLANTS. THE TEAM WILL CONFINE ITSELF TO AN EVALUATION OF THE SUPER THERMAL PLANT FOR THE SOUTHERN REGION WHICH WILL BE USING NEYVELI LIGNITE OR COAL FROM THE INGARENI MINES. THE MINISTRY OF ENERGY OFFICIAL INDICATED THAT A GREAT DEAL OF BASIC RESEARCH AND ENGINEERING WORK HAS BEEN DONE AND DECISION-MAKERS IN THE MINISTRY ARE CONVINCED THAT THE WORLD BANK APPRAISAL TEAM'S REPORT WILL SUPPORT GOI PLANS IN THIS AREA AS A RESPONSIBLE ANSWER TO THE DEEPENING POWER CRISIS.

3. BASED ON THE MOST FEASIBLE GENERATING CAPACITY CONFIGURATION WORKED OUT BY EXPERTS OF THE CENTRAL ELECTRICITY AUTHORITY, THE SOUTHERN REGION SUPER POWER PLANT WILL INITIALLY CONSIST OF FIVE OR SIX 200 MW UNITS WITH AMPLE PROVISION TO SUBSTANTIALLY EXPAND GENERATING CAPACITY TO ABOUT 2,000 MW BY BRINGING ON LINE ADDITIONAL UNITS. IF ALL GOES ACCORDING TO THE TENTATIVELY PLANNED SCHEDULE, THE SOUTHERN REGION SUPER PLANT WITH A CAPACITY OF ABOUT 1000/1200 MW SHOULD GO ON STREAM BY ABOUT THE END OF 1981 (THE THIRD YEAR OF THE SIXTH FIVE YEAR PLAN).

4. ENERGY MINISTRY SECRETARY R.V. SUBRAMANIAM, REPORTEDLY, HAS TENTATIVE PLANS TO VISIT WASHINGTON ABOUT THE END OF 1975 AT THE HEAD OF A TEAM OF INDIAN EXPERTS, FOR FOLLOW-UP NEGOTIATIONS WITH BANK/IDA OFFICIALS. THE MINISTRIES OF ENERGY AND HEAVY INDUSTRY AND THE PLANNING COMMISSION ALL SHARE THE VIEW THAT WORK ON THE FIRST SUPER PLANT MUST

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BEGIN AS EARLY AS POSSIBLE AND THAT ALL THE EQUIPMENT NEEDED (BOILERS, GENERATORS, SWITCHGEAR AND OTHER SUPPORTING EQUIPMENT) MUST BE OBTAINED FROM EXISTING PUBLIC AND PRIVATE SECTOR INDIGENOUS MANUFACTURERS. THIS DECISION REPORTEDLY HAS BEEN TAKEN TO FULLY UTILIZE EXISTING MANUFACTURING CAPACITY AND TO DEVELOP THE NECESSARY ENGINEERING AND HUMAN CAPABILITIES TO ENABLE INDIAN MANUFACTURERS TO TAKE ON THE PRODUCTION OF 500 MW EQUIPMENT.

5. WHILE THE MINISTRY OF ENERGY AND THE PLANNING COMMISSION IS MAKING A DETERMINED PUSH TO PROMOTE AND ESTABLISH SUPER THERMAL POWER PLANTS, BHARAT HEAVY ELECTRICALS LIMITED (BHEL), THE VERY LARGE, PUBLIC-SECTOR MANUFACTURER OF POWER GENERATION EQUIPMENT, AND THE MINISTRY OF HEAVY INDUSTRY (WHICH HAS ADMINISTRATIVE CONTROL OVER BHEL) ARE BOTH ENGAGED IN A SILENT BUT URGENT SEARCH FOR FOREIGN DESIGN AND ENGINEERING TECHNOLOGY FOR THE PRODUCTION OF 500 MW TURBO GENERATORS AND SUPPORTING EQUIPMENT WHICH, THE GOI BELIEVES, WILL PREDOMINATE FUTURE POWERINSTALLATIONS. AS BHEL HAS BEEN FRUSTRATED IN ALL ITS ATTEMPTS TO INTEREST INTERNATIONAL GENERAL ELECTRIC - ITS FOREMOST PREFERENCE AS A SOURCE FOR SUCH TECHNOLOGY - IT IS NOW NEGOTIATING, BUT NOT OUT OF ANY CHOICE, WITH SIEMENS AND MAN OF WEST GERMANY AND BROWN BOVERI OF SWITZERLAND. ALTHOUGH BHEL CHAIRMAN KRISHNAMURTHY IS SCHEDULED TO VISIT EUROPE IN JULY/AUGUST TO CARRY FORWARD ON-GOING NEGOTIATIONS WITH THESE EUROPEAN COMPANIES, FROM CONVERSATIONS WITH HIM WE KNOW THAT BHEL WOULD BE MORE THAN HAPPY IF, SOMEHOW, IGE COULD BE PRSUADED TO RECONSIDER AND RESPOND FAVORABLY TO THE OVERTURES MADE EARLIER BY BHEL. FOR IGE, IT IS STILL NOT TOO LATE.

6. EMBASSY WOULD APPRECIATE COMMERCE GIVING IT ONE MORE TRY WITH IGE.SCHNEIDER

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